

THE LEONARD LETTER

*A weekly electronic newsletter about
California government, business and taxes
Bill Leonard, Member
State Board of Equalization*

December 4, 2006

QUOTE OF THE WEEK

*"To get a vision from God, turn off the television. Get quiet. Let God talk to you."
---Tommy Barnett author of "Reaching Your Dreams"*

UNDER THE DOME

*****A Good Theory of Evolution*****

Today the new legislature convenes for its organization session. Legislators and political observers have been pondering the changes to the legislature over the last few decades. Most of those changes are classified as negative by the pundits, and I have joined in some of that despair. Most recently, Bill Bagley argued that three initiatives (political reform, Prop. 13, and term limits) are the cause, and Tony Quinn focused on restrictions on lobbyists' ability to wine and dine legislators as the reason for changes.

I have finally found a commentary that comes closest to my own understanding of how the legislature operates today versus how it operated back before, say, the 1960s. It was written by Tom Willoughby, who is a long time friend and at one time in my early career, was my boss. He worked for the legislature from 1960 to 1982, and after that worked as a lobbyist until 1997. He has seen the institution from all angles, in many eras. He is critical of Bagley and Quinn, saying, "My view is that both authors have, on this occasion, missed the mark."

His perspective is that rather than trying to see the legislature as a place that once had a 'golden era' that ended for any particular reason, we should understand the body as "an institution that changes and evolves along with the state itself." He concedes the capitol used to be more collegial. The legislature was part-time and legislators were "compensated accordingly, "(\$600 per month in 1960) with no health plans although there was a retirement system. "The result: virtually every legislator had to have a 'day job'....[T]hus, the legislature of the day was predominantly middle aged, reasonably successful businessmen who could afford the time and the financial downside of spending time in Sacramento." That meant there was little competition for legislative seats and no need for "elaborate, costly campaigns."

Most of the decisions of the legislature were governed by the maxim “If it’s good for agriculture (or trucking, manufacturing, etc.), it’s good for California.” This fostered economic stability, growth and investment. Also, there were no committee analyses of bills. Willoughby writes, “Legislators had to rely on the brief ‘Legislative Counsel’s Digest’ which appeared on the printed bill, or on lobbyists explanations, or on their own reading and research. (Hah!)” Lobbyists needed access to legislators to share their views on bills, so they hosted dinners at which legislators and staff from both sides of the aisle gathered, not just to talk policy, but to become friends.

Willoughby cites two important changes. First, Jess Unruh wanted to be leader of a body that was co-equal with the executive branch. Thus, for the first time, we had a legislature with full-time jobs and full time salaries. Shortly afterward, Jerry Brown, then Secretary of State but eager to become governor, decried “lobbyist largess” and proposed an initiative to end the wining and dining. Willoughby explains, “I don’t believe that a food-for-votes market ever existed. On the other hand, I do believe that a food-for-access market flourished. And, certainly, under the right circumstances, access at times produced votes. To paraphrase a dictum of Jess Unruh’s, ‘When it comes to voting, other things being equal, you tend to go with your friends.’”

The initiative passed, but since access was still needed, the Sacramento fundraiser was invented. The now full-time politicians began to need more campaign cash as their seats became coveted by others, so while the era of collegial drinking buddies ended, there was simply a new form of lobbyists and legislators interacting. Willoughby says that “term limits have added another insidious twist,” by destroying institutional memory, stifling a member’s ability to gain genuine expertise, and creating a culture where lawmakers are hunting for their next office.

Willoughby summarizes: “To me the legislature is organic—evolving and adapting. So long as it decides broad economic and social policies for the state, contesting economic and social forces will try to influence those decisions. In simpler times dominant social and economic forces dealt with a legislature that, by state constitution and institutional practice, was fairly content to follow the ‘if it’s good to ‘X’ industry, it’s good for California’ doctrine. As society has become more complex, so has the legislature—evolving into an organization of full time, fiercely competitive, individuals, whose career survival depends on satisfying the wants of an ever proliferating number of interest groups.”

ISSUE FOCUS

*****Act Now to Avoid Tax Hikes*****

The Bush tax cuts that have so stimulated the nation's economy will expire in 2010. It takes an affirmative action by the Congress and the President to make these tax cuts permanent. What do you think the odds are that the new Democratic majority will vote to extend the tax cuts when they can obtain their desired tax increases by simply doing nothing?

I am disappointed to read that the post-election Republican Congress will take no action on tax cuts. This is very wrong.

The rhetoric from the Democrats on this front is mixed. Last week the Wall Street Journal quoted Robert Rubin, Treasury Secretary under President Clinton and a key advisor to Senator Hillary Clinton saying, "You cannot solve the nation's fiscal problems without increased revenues." He went on to say, "I think if you were to increase taxes right now, you would have probably zero negative effect on the economy." The Journal points out that Rubin said in 2002 that the Bush tax cuts would do little to stimulate the economy, which has since grown a robust 4% each year until the recent housing market slump.

Two weeks ago Representative Charles Rangel (D- NY), who is now the incoming Chair of the Ways and Means Committee, said on NPR that tax increases are on the table. Reportedly, Pelosi reacted by denying any increases were being considered.

The Journal article gives ample evidence why we should at least stay the course. Federal revenues in fiscal 2006 were 18.4% of GDP, higher than the 18.2% post-1965 average. As I've reported here, the first month of fiscal 2007, revenues were up 12% from the year before. Yes, the Republicans have been on a wild spending spree, but the stimulus from the tax cuts has more than made up for it (so far, at least). The fiscal 2006 deficit was 1.9% of GDP, which the Journal reminds us, "is lower than all but eight years since 1975."

The Republicans are giving up on their strongest message by not taking the appropriate action now.

MISCELLANY

A Good Read

If you have been a Leonard Letter reader for some time, you know that one of my favorite themes for books is how great people have changed history. This week I am pleased to recommend a book that profiles the greatness of three of the most courageous, principled and inspirational leaders in my lifetime: John O'Sullivan's "The President, the Pope, and the Prime Minister." O'Sullivan begins the book by reminding us of how this country, and the world, was feeling in the 1970s. There was a palpable dismay and lack of hope and vigor in public affairs. Then along came three people who changed that attitude and altered the course of history: U.S. President Ronald Reagan, Pope John Paul II, and British Prime Minister Margaret Thatcher. O'Sullivan examines their values and their friendships and how both impacted their take on world affairs, including their efforts to roll back communism around the globe. O'Sullivan's book is enjoyable, filled with memorable photos and a truly inspirational reminder that people of integrity who are committed to what is right can change everything.

*****New Citizenship Test*****

Back in 2004 I shared with Leonard Letter readers the questions asked on the U.S. Citizenship exam. Last Thursday, the U.S. Citizenship and Immigration Service released a new pilot test that will be used in 10 cities beginning next year. News coverage of the new exam has been mixed. Some say the exam requires potential citizens to demonstrate more understanding of the principles of Americanism; other criticize the new test as asking for obscure answers that are not demonstrative of good citizenship. Once again, I will let you judge for yourself by printing the questions here for the next several weeks. I encourage you to use these questions as discussion topics with your children and grandchildren to get them thinking about the meaning of being an American.

1. Name one important idea found in the Declaration of Independence.
2. What is the supreme law of the land?
3. What does the Constitution do?
4. What does “We the People” mean in the Constitution?
5. What do we call changes to the Constitution?
6. What is an amendment?
7. What do we call the first ten amendments to the Constitution?
8. Name one right or freedom from the First Amendment.
9. How many amendments does the Constitution have?
10. What did the Declaration of Independence do?

BOE AND LEGISLATIVE DATES

December 4, 2006 --- The 2007-08 Regular Session of the Legislature convenes for an organizational session at 12 noon (Art. IV, Sec. 3(a)).

December 12-13, 2006 --- Board of Equalization meets in Sacramento.

January 3, 2007--- Legislature reconvenes.

January 8, 2007 --- Swearing-in of new state Constitutional officers.

January 10, 2007 --- Budget Bill must be submitted by Governor (Art. IV, Sec. 12 (a)).

January 15, 2007 --- Rev. Martin Luther King Jr. holiday.

January 26, 2007 --- Last day for legislators to submit bill requests to the Office of Legislative Counsel.

January 31, 2007 --- Board of Equalization meets in Sacramento.

February 1, 2007 --- Board of Equalization meets in Sacramento.

February 12, 2007 --- Abraham Lincoln's Birthday.

February 19, 2007 --- George Washington's Birthday observed.

February 23, 2007 --- Last day for bills to be introduced (J.R. 61(a)(1), J.R. 54(a)).

February 27-28, 2007 --- Board of Equalization meets in Culver City.

NOTABLE DATES/ HISTORY

December 4, 1945 --- The United States joined the United Nations.

December 4, 1996 --- General Motors released the first electric car to be mass-produced.

December 5, 1933 --- The 21st Amendment to the U.S. Constitution ended Prohibition.

December 5, 1955 --- The Montgomery bus boycott began. Planned in part by Martin Luther King, Jr., the boycott protested the city's segregation laws following the arrest of Rosa Parks.

December 6, 1922 --- General Electric's Utica Gas and Electric Company plant became the first commercial carrier of electricity.

December 6, 1941 --- The Manhattan Project was formed in Chicago, Illinois, and Los Angeles, California with the goal of developing an atomic bomb.

December 7, 1787 --- Delaware was the first state to ratify the Constitution.

December 7, 1941 --- The Japanese attacked the U.S. Pacific Fleet at Pearl Harbor, Hawaii.

December 8, 1941 --- The day after the Japanese attacked Pearl Harbor the U.S. Congress passed a declaration of war against Japan, and the United States formally entered World War II.

December 8, 1987 --- At a summit meeting in Washington, D.C., President Ronald Reagan and Soviet leader Mikhail Gorbachev signed the first treaty to reduce the nuclear arsenals of both countries.

December 9, 1958 --- Robert H. Welch, Jr., founded the John Birch Society to fight the infiltration of communism into American society.

December 10, 1869 --- Wyoming became the first state to adopt women's suffrage.

December 10, 1898 --- In France, the Treaty of Paris was signed, ending the Spanish-American War and granting the United States its first overseas empire.

GENERAL TAX INFORMATION

For answers to your general tax questions, call the Board of Equalization information center. Customer service representatives are available to help you from 8:00 a.m. to 5:00 p.m. Pacific time, Monday through Friday (except state holidays).

Toll-free number: 800-400-7115
TDD service for the hearing impaired
TDD phones: 800-735-2929
Voice phones: 800-735-2922

To reach the Taxpayer Rights Advocate's office for assistance with any BOE issues, see <http://www.boe.ca.gov/tra/tra.htm>, or call toll-free 1-888-324-2798.

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